Weekly Economic Review

Alberta posts modest job gains

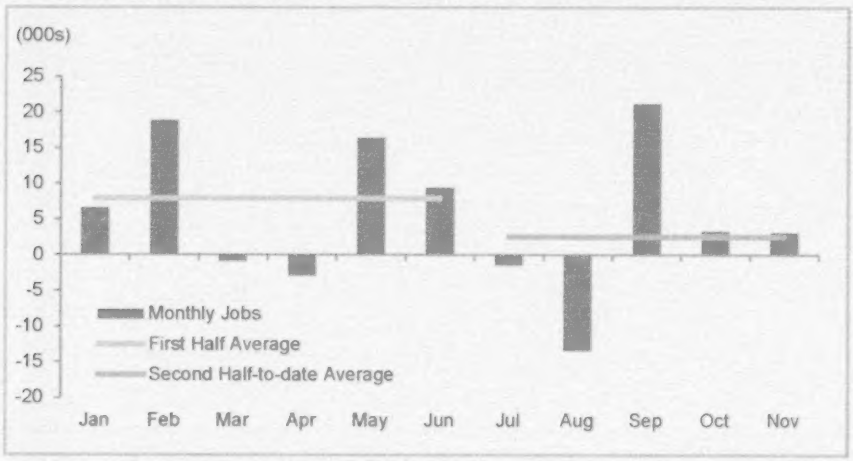
Labour Market

Job gains hold steady

Alberta's labour market added a modest 3,200 jobs, in line with the gain in October. On an industry basis, construction (+9,100) and transportation & warehousing (+6,600) posted the largest gains while the professional, scientific and technical industry shed 11,000 positions. Monthly job growth has moderated in the second half of the year (Chart 1). Over the first half of the year, Alberta averaged 7,900 net new jobs per month. That average has fallen to 2,600 jobs over the second half of 2014. Year-to-date, Alberta has added 66,400 new jobs, recording growth of 3.0%, the highest growth across the provinces. The province's unemployment rate held steady at 4.5% in November as labour force entry roughly matched job gains.

Chart 1: Employment growth has slowed in the second half

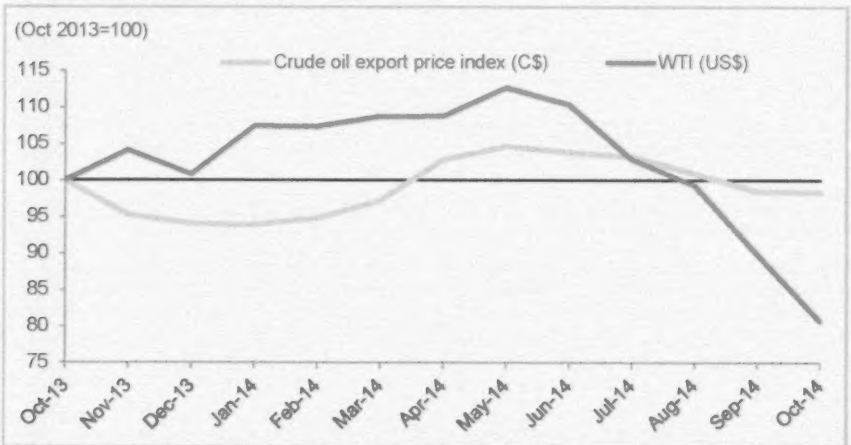
Change in Alberta employment



Source: Statistics Canada

Chart 2: Canadian oil export prices hold steady despite fall in global oil prices

Index (October 2013 = 100)



Source: Statistics Canada and Haver Analytics

The Canadian labour market shed 11,700 after two strong months of growth. National job numbers were pulled down by Ontario (-33,900) and Saskatchewan (-3,900). The Canadian unemployment rate ticked up by 0.1 percentage point to 6.6% in November.

Merchandise Trade

Exports moderate

Alberta international goods exports totaled $10.5 billion in October, up 8.5% from a year ago. This year-over-year growth is close to the average for the last ten years, but well below what had been occurring over the first nine months of 2014. In the year to date, exports are up 18.8% over the same period in 2013. Exports of industrial machinery, equipment and parts spiked by almost 50% y/y, with industrial chemicals and consumer goods the other major non-energy exports adding to growth. Farm fishing and intermediate food exports in October were 13.2% lower than October 2013, in part because of a decline in crop prices. Energy exports, which make up three quarters of all goods exports, were mostly responsible for the slowdown, with growth falling to 7.4% y/y from 22.8% y/y. Despite the North American US-dollar benchmark price of oil (WTI) falling 16% y/y, Canadian dollar oil prices are largely unchanged

from a year ago as the Canadian dollar has depreciated by 7.4% and the light-heavy differential has narrowed (Chart 2).

Nationally, the merchandise trade balance remained positive for the sixth month in a row at $0.1 billion, though it narrowed from $0.3 billion in September as imports increased 0.5%, while exports were only up 0.1%.

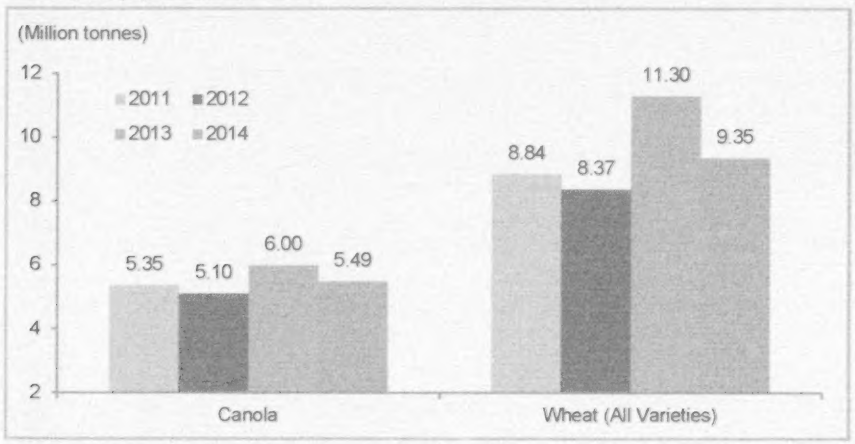
Crop Production

Crop production normalizes

Crop production is down significantly in 2014 compared with 2013 when ideal led to bumper crops. Wheat production fell 17.3% to 2.7 million tonnes, both because of lower yields and less area harvested. Canola yields fell by 14.2%, but the decline in production was limited to 8.5% as more area was harvested. Despite the declines, both canola and wheat production were higher in 2014 than in 2012 (Chart 3). Farm revenues will be further reduced by lower prices, with both canola and wheat prices down by about a quarter year-to-date.

Chart 3: Alberta crop production falls from record 2013 levels

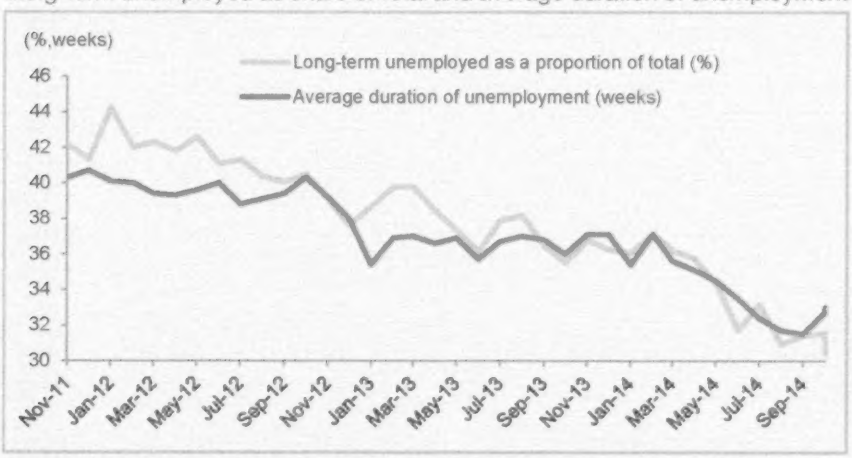
Annual crop production



Source: Statistics Canada

Chart 4: Long-term unemployment in the US has been declining

Long-term unemployed as share of total and average duration of unemployment



Sources: US Bureau of Labor Statistics

US Employment

Employment continues to improve

The US added 321,000 jobs in November, evidence of an increasingly healthy US labour market. In the year to date, the US has added an average of 240,900 jobs per month, with January the only month in which job gains were less than 200,000. Broader labour market indicators also showed signs of improvement. Since November 2013, the number of long-term unemployed has declined by 70% and the average duration of unemployed spells has fallen by 4 weeks (Chart 4). The unemployment rate remained at 5.8%, while the participation rate was also unchanged at 62.8%.

Monetary Policy

Bank of Canada holds steady

The Bank of Canada left the target overnight interest rate unchanged at 1%. The Bank noted the improving fortunes for the US economy and the resultant growth in Canadian exports. Inflation has also picked up on account of a lower Loonie, coupled with sector-specific price pressures. Though the economy is operating closer to potential, the Bank believes that Canadian labour markets have more room for improvement. Overall, the Bank opined that risks to the inflation outlook are evenly balanced.

Contact

Kailer Mullet 780.427.7391

Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.